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SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-72915; File No. SR-NYSEArca-2014-87)

August 26, 2014

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Amending NYSE Arca Equities Rule 7.31 to Delete Functionality Permitting Primary Only Orders and Primary Sweep Orders to be Designated with Intermarket Sweep Order Modifiers

Pursuant to Section 19(b)(1)<sup>1</sup> of the Securities Exchange Act of 1934 (the “Act”)<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> notice is hereby given that, on August 13, 2014, NYSE Arca, Inc. (the “Exchange” or “NYSE Arca”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend NYSE Arca Equities Rule 7.31 to delete functionality permitting Primary Only Orders (“PO Order”) and Primary Sweep Orders (“PSO”) to be designated with Intermarket Sweep Order (“ISO”) modifiers. The text of the proposed rule change is available on the Exchange’s website at [www.nyse.com](http://www.nyse.com), at the principal office of the Exchange, and at the Commission’s Public Reference Room.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization included statements

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<sup>1</sup> 15 U.S.C.78s(b)(1).

<sup>2</sup> 15 U.S.C. 78a.

<sup>3</sup> 17 CFR 240.19b-4.

concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of those statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and the Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange is proposing to amend Rules 7.31(x) and (kk) to eliminate the ability of Users to enter PO Orders and PSOs with ISO modifiers. A PO Order is a market or limit order that is routed to the primary market by the Exchange. Currently, Rule 7.31(x)(4) permits a PO Order to be entered with an ISO Modifier and places the responsibility of Regulation NMS compliance on the broker-dealer that designates the PO Order with an ISO Modifier. A PSO is a PO Order that first sweeps the Exchange book and then any unexecuted portion is routed to the primary market. Similar to Rule 7.31(x)(4), Rule 7.31(kk)(2) permits a PSO to be entered with an ISO Modifier and places the responsibility of Regulation NMS compliance on the broker-dealer that designates the PSO with an ISO Modifier.

The Exchange proposes to delete Rules 7.31(x)(4) and 7.31(kk)(2) to no longer permit PO Orders and PSOs to be entered with ISO Modifiers. Instead, if a User were to enter an ISO instruction on a PO Order or PSO, the Exchange will reject such order. To reflect this change, the Exchange proposes to amend Rules 7.31(x) and 7.31(kk) to provide that PO Orders and PSOs may not be designated as an ISO. The Exchange is not proposing any other changes to the use of ISOs.

The Exchange believes it is appropriate to no longer accept PO Orders and PSOs entered with ISO modifiers. While the Exchange has placed the responsibility of Regulation NMS

compliance on the originating broker-dealer, the Exchange believes that the proposal would avoid the appearance of the Exchange's routing broker of violating Regulation NMS requirements should the originating broker-dealer not be appropriately marking orders as ISO, even though responsibility rests with the originating broker-dealer. The proposed change would more clearly delineate such Regulation NMS requirements with a single party – the originating broker-dealer. Either the originating broker-dealer will directly enter ISOs at the necessary trading centers to comply with Regulation NMS or submit a routable order to the Exchange and the Exchange will route the order as necessary to ensure compliance with Regulation NMS.

The Exchange will announce the implementation date of the systems functionality associated with the proposed rule change by Trader Update to be published no later than 30 days following the effective date. The implementation date will be no later than 30 days following the issuance of the Trader Update.

## 2. Statutory Basis

The Exchange believes that the proposal is consistent with Section 6(b) of the Act,<sup>4</sup> in general, and furthers the objectives of Section 6(b)(5),<sup>5</sup> in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to, and perfect the mechanism of a free and open market and, in general, to protect investors and the public interest.

The Exchange believes that rejecting PO Orders and PSOs with ISO modifiers will protect investors and the public interest because the proposal will limit the number of ISO orders routed to other market centers for which, at the time of the route, the Exchange is unaware whether the originating broker-dealer has complied with its Regulation NMS obligations. The Exchange believes that the rule proposal might reduce the potential in which an ISO is routed by

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<sup>4</sup> 15 U.S.C. 78f(b).

<sup>5</sup> 15 U.S.C. 78f(b)(5).

the Exchange to an away market without the originating broker-dealer complying with Regulation NMS. Additionally, the Exchange does not believe that eliminating the ability to enter PO Orders and PSOs with ISO modifiers will have a detrimental effect on the market because ETP Holders have the option either to enter ISOs directly to the necessary trading centers to comply with Regulation NMS or submit a routable order to the Exchange and the Exchange will route the order as necessary to ensure compliance with Regulation NMS.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange believes the [sic] eliminating the ability to add an ISO modifier to PO Orders and PSOs will not impose any burden on competition because ETP Holders have the option either to enter ISOs directly to the necessary trading centers to comply with Regulation NMS or submit a routable order to the Exchange and the Exchange will route the order as necessary to ensure compliance with Regulation NMS.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

No written comments were solicited or received with respect to the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The Exchange has filed the proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>6</sup> and Rule 19b-4(f)(6) thereunder.<sup>7</sup> Because the proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative prior to 30 days from the date on which it was

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<sup>6</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>7</sup> 17 CFR 240.19b-4(f)(6).

filed, or such shorter time as the Commission may designate, if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6) thereunder.<sup>8</sup>

At any time within 60 days of the filing of such proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings under Section 19(b)(2)(B)<sup>9</sup> of the Act to determine whether the proposed rule change should be approved or disapproved.

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

##### Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-NYSEArca-2014-87 on the subject line.

##### Paper comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission,

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<sup>8</sup> 17 CFR 240.19b-4(f)(6). As required under Rule 19b-4(f)(6)(iii), the Exchange provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and the text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission.

<sup>9</sup> 15 U.S.C. 78s(b)(2)(B).

100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-NYSEArca-2014-87. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>).

Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the NYSE's principal office and on its Internet website at [www.nyse.com](http://www.nyse.com). All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available

publicly. All submissions should refer to File Number SR-NYSEArca-2014-87 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>10</sup>

Kevin M. O'Neill  
Deputy Secretary

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<sup>10</sup> 17 CFR 200.30-3(a)(12).